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No. 09-1270

SUPREME COURT, U.S.
AUG 02 2010

IN THE

Supreme Court of the United States

UNIVERSITY OF SOUTH CAROLINA,

Petitioner,

v.

UNIVERSITY OF SOUTHERN CALIFORNIA,

Respondent.

ON PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT

REPLY BRIEF

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REPLY BRIEF

Current trademark law has been expanding significantly beyond its traditional role and the Federal Circuit and the Trademark Office have now added to the confusion about trademark confusion. In particular, uncertainty abounds as to the proper likelihood of confusion inquiry under the Lanham Act, which governs federal trademark registration and trademark infringement. The gradual and unbridled expansion of trademark protection has now transformed certain types of trademarks from a means of designating the source of products to nearly absolute intellectual property rights in ornamental trademarks. This departure from the traditional source-identifying nature of trademarks has occurred without legislative intervention or review by this Court. California (the Respondent) has simply not refuted Carolina's (the Petitioner) showing that the courts are now in conflict in this area. In light of the legal and commercial significance of this resulting expansion, review by this Court is clearly warranted.

I. The Relevant Consumer is a Lens Through Which Likelihood of Confusion Must be Viewed

The various formulations of the likelihood of confusion analysis adopted by the circuit courts have resulted in "a circuit split of considerable proportions" with "excessive intercircuit variation in the application and outcome" of the primary analysis employed in determining the scope of protection for trademarks. *See* Barton Beebe, *An Empirical Study of the Multifactor Tests for Trademark Infringement*, 94 Cal. L. Rev. 1581, 1583, 1646 (2006) (recommending adopting "a new national multifactor test"). The most

troublesome aspect of the circuit split is that the courts vary on the actual nature of confusion that is recognized under the Lanham Act. *Compare Insty*Bit, Inc. v. Poly-Tech Indus., Inc.*, 95 F.3d 663, 672 (8th Cir. 1996) (providing that "trademark infringement may be based on confusion of consumers other than direct purchasers, including *observers* of an allegedly infringing product in use by a direct purchaser") (emphasis added) *with Dorr-Oliver, Inc. v. Fluid-Quip Inc.*, 94 F.3d 376, 382 (7th Cir. 1996) (explaining that "the Lanham Act is concerned with *customer* confusion when choosing to purchase, or not to purchase, the items, not public confusion at viewing them from afar") (emphasis added).

California cannot credibly deny the existence of the circuit split and does not diminish the national legal and commercial significance of the issues raised in Carolina's petition. Instead, California argues that the Federal Circuit did not apply an erroneous standard and that any circuit split is irrelevant here. These arguments are simply wrong. There is a need for circuit consensus on the issues presented by the petition and this case is an extremely suitable vehicle for establishing that consensus.

The identity of the relevant consumer is (or should be) at the forefront of any likelihood of confusion analysis. California simply ignores the fact that the Federal Circuit failed to find that *any* relevant consumer existed who could be confused. Despite California's unwillingness to recognize the Federal Circuit's error, the fact of the matter is that this error extends through other courts as well.

In a proper likelihood of confusion analysis, the identification and existence of a relevant consumer is not a mere factor. Instead, it is the lens through which the entire analysis must be considered. Here, the Federal Circuit relegated the existence and type of consumers to a mere factor and did not use the relevant consumer as the lens through which the likelihood of confusion analysis was to be conducted.

Specifically, the Board found that many consumers, including students, faculty, alumni, and fans ("Real Fans"), are likely "to have a loyalty to and affinity for a particular school or team, . . . to be knowledgeable about a particular school's trademarks as used on the merchandise, . . . to exercise a degree of care in looking for and making their decisions to purchase such goods" and "to be able to distinguish between similar collegiate marks based on their familiarity with the different schools and their marks, and their familiarity with national collegiate sports generally." Pet. App. B, 41a. The Federal Circuit left these findings intact.

However, California argued, and the Board found, that consumers other than Real Fans may be less familiar with the marks and may likely be confused by the marks at issue. *Cf.* Ann M. Bartow, *Likelihood of Confusion*, 41 San Diego L. Rev. 721, 723 (2004) (observing that "[w]here jurists perceive consumers as ludicrously easily confused, trademark holders can exploit these views to secure broad trademark 'rights,' often without offering a shred of evidentiary corroboration concerning such confusion"). Specifically, the TTAB found that two groups of consumers would likely be confused: (i) persons unaffiliated with either

school, such as relatives, who would be purchasing for others a gift bearing one of the trademarks ("Gift-Giving Relatives"), and (ii) new or casual fans who may jump on the school's proverbial "bandwagon" when an athletic team has a banner year but who are admittedly less familiar with the school's trademarks ("Fair Weather Fans"). Pet. App. B, 41a-42a. On appeal, however, the Federal Circuit correctly determined that the Board's decision that the care exercised by such consumers "rested on speculation" and not the requisite substantial evidence. Pet. App. A, 9a. In so doing, the Federal Circuit never identified a group of relevant consumers who would be confused or conducted the critical inquiry from that viewpoint.

Despite having correctly concluded that Real Fans would likely distinguish the marks (and would not be likely confused) and that the lower degree of care exercised by the only other consumers identified – Fair Weather Fans and Gift-Giving Relatives – was unproven, the Federal Circuit nonetheless determined, as a matter of law, that there was a likelihood of confusion. The Federal Circuit arrived at that conclusion without identifying that a class of relevant and proven consumers would be confused. Moreover, the court failed to properly conduct the likelihood of confusion analysis through the lens of the relevant and proven consumer—Real Fans. Instead, the Federal Circuit abstractly agglomerated together other likelihood of confusion factors to support its conclusion.

This approach to trademark law is untenable. The only proper determination of the Lanham Act is to focus on *consumer* confusion. *See* Bartow, *supra* p.8, at 817

(observing that "[u]nless a mark holder offers persuasive evidence to the contrary, courts must reject the specter of the gullible, harried, ignorant, and stupid consumer as a standard by which to measure likelihood of confusion"). The failure to use the relevant consumer as the lens through which to determine likelihood of confusion continues the trend of courts departing from traditional consumer-based trademark law. *See* Anne M. McCarthy, *Note: The Post-Sale Confusion Doctrine: Why the General Public Should be Included in the Likelihood of Confusion Inquiry*, 67 Fordham L. Rev. 3337, 3352 (1999) ("Courts are not in accord, however, concerning the expansion of the relevant population and relevant time of confusion that was brought about by the 1962 amendment.").

While California is correct that thirteen factors were considered in the likelihood of confusion analysis in this case, those factors must still be considered through the eyes of relevant and proven consumers. This did not occur here. Thus, while other cases indicate a split of authority on *which* consumers must be confused, the present case goes farther and dispenses altogether with the need for *any* consumers to be confused.

Although California attempts to frame this issue as outdated and irrelevant, current cases clearly indicate otherwise. In particular, circuit courts remain divided upon the proper perspective for determining likelihood of confusion. For example, courts differ on whether post-sale confusion can extend to confusion of the general public at large or is limited to confusion amongst potential consumers. *Compare Gen. Motors Corp. v. Keystone Auto. Indus.*, 453 F.3d 351, 356 (6th Cir. 2006)

(observing that the Lanham Act extends beyond consumer confusion to confusion of the *non-consuming general public at large*) (emphasis added) *with CAE, Inc. v. Clean Air Eng'g, Inc.*, 267 F.3d 660, 683 (7th Cir. 2001) (observing that the Seventh Circuit has "recognized that the Lanham Act's protections also extend to post-sale confusion of *potential customers*") (emphasis added).

II. The Expansion of Ornamental Marks Represents a Widespread Departure from Fundamental Trademark Law

Contrary to California's characterization (Opp. 24), Carolina does not contend that ornamental marks are unprotectable. Instead, Carolina disputes the standard applied by the Federal Circuit in evaluating the Lanham Act's likelihood of confusion standard when ornamental marks are at issue.

When a mark is used ornamentally, the mark functions like a good itself and not as a traditional trademark to identify the source of the product. *See* Rochelle Cooper Dreyfuss, *Expressive Genericity: Trademarks as Language in the Pepsi Generation*, 65 Notre Dame L. Rev. 397, 397 (1990) (observing that "ideograms that once functioned solely as signals denoting the source, origin, and quality of goods, have become products in their own right, valued as indicators of the status, preferences, and aspirations of those who use them"). Because the buying decision is premised upon the buyer's desire to associate with the entity represented by the mark, the buyer necessarily comes to the purchasing decision having a heightened

awareness of the mark and is, therefore, much less likely to be confused. Use of the proper lens for making this inquiry—that of the relevant consumer (and in this case, the Real Fans)—would, as the Federal Circuit found, result in consumers being able to distinguish the parties' merchandise. If other consumers purchase the product bearing the ornamental mark, they do so simply because they like the appearance of the logo. In those situations (as in the case of Fair Weather Fans and Gift-Giving Relatives), the mark is not functioning as a source identifier (i.e., a trademark) and does not invoke the concerns of the Lanham Act. Finding a likelihood of confusion in such instances should be much more difficult than if the trademark is functioning as a source identifier.

To be clear and to illustrate the scope of proper protection, a California alumnus may seek a sweatshirt having a California logo and may choose between a Nike, Adidas, or other brand, but the consumer will not seek sweatshirts bearing other school's emblems. In that case, the consumer can distinguish those other goods not bearing her school's mark due to the fact that she specifically desires to purchase the product because of the mark, not because it is a high quality product. The Trademark Board recognized this scenario, explaining:

> [A] mark appearing on a collegiate sports team's merchandise such as hats or shirts serves as an indication of secondary source; it refers to or identifies the team itself. The purchasers' decision to purchase the product often is not based on who actually manufactured the product, but rather is

> based on the ornamental presence of the secondary source mark itself on the product. The decision to purchase arises from the purchasers' desire to demonstrate his or her connection to or affiliation with that secondary source (the school, or the team) or if the purchaser is purchasing the product as a gift to allow the gift recipient to demonstrate that connection or affiliation.

Pet. App. B, 44a.

When an ornamentally-used trademark is asserted, the likelihood of confusion analysis should account for the nature of that ornamental use and the attendant commercial realities with which the Lanham Act is concerned. Configuring the analysis through this perspective will properly limit the scope of protection to instances in which the reasonably prudent and relevant *consumer* is likely to be confused. The Trademark Board and the Federal Circuit erred by failing to properly account for these realities and then departing from the intended scope of protection afforded by the Lanham Act. Instead, the decision relied upon irrelevant and unproven confusion.

California's contention that Carolina's argument dooms its own case (Opp. 31-32) is both incorrect and irrelevant. As indicated above, Carolina does not argue that ornamentally-used trademarks cannot be federally registered or protected. Carolina only argues that California's ornamental marks and Carolina's ornamental marks are not likely to be confused, especially given the nature of the goods and the relevant

consumers. Due to the ornamental nature of California's marks versus Carolina's mark, there is no likelihood that relevant consumers would confuse the parties' goods.

Even if correct, California's argument that it uses its mark in a non-ornamental manner (Opp. 29-30) does not prevent this Court's review. The Board's decision, and the Federal Circuit's review thereof, was not premised upon such use now relied upon by California. There was no finding that California used its marks in a non-ornamental manner and the Board appears to have accepted that the California marks were ornamentally used (*see* Pet. App. B, 44a).

Moreover, even if California had used the marks in a non-ornamental fashion (an issue not asserted at the Federal Circuit), California cannot avoid the fact that purchasers of California-branded merchandise are knowledgeable consumers that come to the purchasing decision with extensive knowledge of California's marks and with the capability to distinguish goods bearing those marks from goods bearing Carolina's ornamental marks. Ultimately, California's attempt to argue the factual merits as a means to divert the Court's attention from the legal issues is telling.

Carolina has not waived this argument concerning merchandising rights. As an initial matter, the likelihood of confusion centers around a comparison of the marks at issue, and Carolina argued throughout trial and appeal that goods bearing the parties' respective marks were unlikely to be confused. In addition, as expressly recognized by the Board, Carolina argued that the marks would not be confused in light of their ornamental

nature (referenced as secondary source marks in the proceedings below). Pet. App. B, 44a-45a. This argument was also presented to the Federal Circuit, in which Carolina argued that "[n]o one purchases collegiate apparel because they like the quality of a piece of clothing—they purchase the product because they want others to see that they are a fan of, or somehow affiliated with, the college." Carolina Fed. Cir. Reply Br. at 18; *see also* Carolina Fed Cir. Br. at 18-33 (arguing the proper consumer for consideration in the likelihood of confusion analysis). Carolina argued that such consumers with an intimate knowledge of both the college and the logo were not likely to be confused. *Id.*

Despite California's attempt to convey the issue of merchandising rights as a relic of "vintage" case law (Opp. 26-29), *recent* trademark commentators designate this issue as significant and fit for review today by this Court. *E.g.*, Stacey L. Dogan & Mark A. Lemley, *Article: The Merchandising Right: Fragile Theory or Fait Accompli?*, 54 Emory L.J. 461, 465 (2005) (observing that "recent Supreme Court case law suggests that, if the Supreme Court had the opportunity to evaluate the merchandising theory (something it has never done), it would deny the existence of such a right" and "it would be right to do so"). Even if merchandising rights were well accepted by lower tribunals, as California appears to argue, this Court has yet to review the broad extra-statutory protection that such rights now apparently offer.

In addition, the impact of this issue is not remote. Other matters are pending and future actions are nearly certain. For example, similar issues are likely to arise

between California and Santa Clara College in a case that has been suspended pending the final resolution of this case, *see Univ. of S. Cal. v. President & Bd. of Trs. of Santa Clara Coll.*, Opposition No. 91168693 (TTAB May 3, 2010) (suspension order) and in a case between the University of Alabama and the Atlanta Braves, *see Bd. of Trs. of the Univ. of Ala. v. Atlanta Nat'l League Baseball Club, Inc.*, Opposition No. 91175702 (TTAB filed Feb. 5, 2007). Moreover, in a previous case, the Oakland A's opposed the registration of a trademark by the University of Alabama. *See Athletics Inv. Group LLC v. Bd. of Trs. of the Univ. of Ala.*, Opposition No. 91172387 (TTAB Nov. 24, 2009) (dismissal order). Moreover, it appears that the University of Alabama has gone so far as to allege that paintings showing players in its football uniforms give rise to confusion. *See Univ. of Ala. Bd. of Trs. v. New Life Art Inc.*, 677 F. Supp. 2d 1238, 1244 (N.D. Ala. 2009) (indicating that the main dispute is whether "defendants infringe on plaintiff's trademark if they create and sell paintings and prints which include as part of their depictions the uniforms of University of Alabama football players"). Thus, this case is not an anomaly and the need exists for a clear standard for determining the likelihood of confusion with respect to ornamentally-used trademarks.

III. Review of the Significant Issues in this Case is Necessary

Instead of rebutting the implications of this case and the need for this Court's review, California resorts to arguing that the Federal Circuit's opinion was nonprecedential and to resting upon the parties' historical uses of their respective marks and logos.

First, the designation of the Federal Circuit's opinion as nonprecedential actually reinforces the need for review of this case. In particular, by designating its opinion as nonprecedential, the Federal Circuit indicated that it believes the law on these matters is settled. As explained above, that is far from accurate. If the Federal Circuit incorrectly views this law as settled, then the need for this Court's intervention is demanded.

Second, the way each party historically used its marks bears no impact upon application of the proper legal standard in this case. Despite South Carolina having its name since the colonial era and its flagship university's longtime use of the letters "SC," California's argument over who first and continually used the letters "SC" does not implicate whether a consumer would actually confuse the marks at issue here. Ultimately, purchasing consumers, who purchase *because of* the ornamental logo itself, are capable of distinguishing their team's merchandise.

CONCLUSION

The petition for a writ of certiorari should be granted.

Respectfully submitted,

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